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25 June 1971

25X1

Central Intelligence Bulletin

CONTENTS

25X1

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25X1

25X6

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Next 4 Page(s) In Document Exempt

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CAMBODIA: Rice virtually disappeared from stores in Phnom Penh during the past week as a wave of speculation gripped the capital.

The level of rice reserves was not by itself sufficiently low to have caused the alarm. Despite a steady decline since early May in deliveries from Battambang, the principal source of Phnom Penh's rice, stocks by mid-June were still not substantially below the average for the past several months. Press reports linked spiraling prices of rice to panic buying by housewives, but shortages undoubtedly are attributable for the most part to hoarding by merchants who are resisting government efforts to enforce price controls.

Concern caused by intensified enemy action against traffic on Route 5 in recent weeks and uncertainty about future rice shipments to the capital may have triggered the speculation. There are fears in the capital that Battambang merchants, rather than pay the heavy bribes exacted at Cambodian Army outposts along Route 5 and assume the substantial risk of losing the entire cargo to the enemy, now will prefer smuggling rice to Thailand. Recent deterioration of the Cambodian riel relative to the Thai baht has provided a very strong incentive for smuggling.

The government is extremely worried that shortages will spark demonstrations directed primarily against Chinese merchants. [REDACTED]

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[REDACTED] Sirik Matak has ordered urgent measures to stabilize prices and to prevent public disorders. The government reportedly has begun selling its own stocks at official prices in the hope of persuading merchants to release their hoards. The government also intends to inaugurate a transportation program soon to expedite large-scale shipments of rice from Battambang to the capital via military-escorted truck convoys. [REDACTED]

25X1

25 Jun 71

Central Intelligence Bulletin

6

25X1

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Next 5 Page(s) In Document Exempt

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